

Message Text

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ACTION AGR-08

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TAGS: ETRD EAGR SP

SUBJ: STATUS OF SUPPLY OF EDIBLE OILS AND FEEDGRAINS

REF: MADRID 7159

1. SPAIN IS CURRENTLY SUFFERING FROM THE EFFECTS OF ANOTHER PERIODIC DROUGHT, A FREQUENT CONDITION AND ONE OF THE PRINCIPAL REASONS WHY SPAIN IS SO DEPENDENT ON IMPORTS TO COVER MUCH OF HER FOOD AND FEED REQUIREMENTS. THE 1974 OLIVE OIL PRODUCTION HAS BEEN ESTIMATED AT NO MORE THAN 275,000 METRIC TONS, ABOUT 65 PERCENT OF NORMAL. OLIVE OIL IS SELLING ON THE FREE MARKET AT 100 PESETAS PER LITER, A PRICE OUT OF REACH OF MUCH OF THE SPANISH LABOR FORCE. SOY OIL IS SELLING UNDER A CEILING PRICE OF 43 PESETAS PER LITER, A PRICE MADE POSSIBLE BY HEAVY SUBSIDIZATION BY THE GOS, AN ACTION INTENDED TO PROVIDE THE PEOPLE WITH MORE REASONABLY PRICED OIL. NINETY PERCENT OF THIS OIL IS EXTRACTED FROM IMPORTED US SOYBEANS.

DISREGARDING 1973 AS AN ABNORMAL YEAR, WE FEEL THAT THE 1,300,000 METRIC TON PROJECTED REQUIREMENT FOR US SOYBEANS

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IN CY75 CONTAINED IN NOTE VERBALE 600 (REFTEL MADRID 7159)

IS A REALISTIC ESTIMATE BASED ON AN ORDERLY PROGRESSION OF INCREASED ANIMAL FEEDING AND THE NECESSARY SUBSTITUTION OF LOWER PRICED SOY OIL INSTEAD OF TRADITIONAL OLIVE OIL IN THE SPANISH DIET.

2. US CORN IS BECOMING MORE OF A FACTOR IN THE SPANISH FEED-GRAINS SUPPLY BECAUSE OF GOS EMPHASIS TO MAINTAIN FOUNDATION HERDS AND PRODUCTION OF POULTRY TO SATISFY TOTAL MEAT REQUIREMENTS IN TIME OF DROUGHT. WE FEEL THAT THE 2,000,000 METRIC TON IMPORT FIGURE REFERRED TO IN THE NOTE IS QUITE MODEST INDEED. IN 1972 SPAIN IMPORTED 2,382,000 METRIC TONS CORN (1,284,350 US), 2,716,000 METRIC TONS (1,876,600 US) IN 1973 AND 3,191,000 TONS (2,508,526 US) IN PERIOD JANUARY-SEPTEMBER 1974. THE SHARP CORN IMPORTS INCREASE IN THE FIRST NINE-MONTH PERIOD THIS YEAR UNDERLINES THE SERIOUSNESS OF THE PRESENT DROUGHT.

WE BELIEVE THAT IF SPAIN IS TO REDUCE HER CORN IMPORTS TO THE 2,000,000 TON LEVEL, SHE WILL EITHER HAVE TO (A) GREATLY INCREASE HER IMPORTS OF SUBSTITUTE FEEDGRAINS OR (B) GREATLY REDUCE HER OVER-ALL FEED UTILIZATION. ANY US RESTRICTIONS ON THE USUAL EXPORTS OF EITHER SOYBEANS OR US CORN TO SPAIN COULD SERIOUSLY IMPAIR THE GOS EFFORTS TO HOLD DOWN COST OF LIVING AT A TIME WHEN INFLATION IS OF INCREASING POLITICAL AND ECONOMIC CONCERN TO THE GOVERNMENT, AND WOULD ADVERSELY AFFECT SPANISH ATTITUDES TOWARD THE UNITED STATES AS A RELIABLE SUPPLIER.
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